

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2232-02
Bill No.: HB 1021
Subject: Taxes, Sales and Property; Tobacco Products; Political Subdivisions
Type: Original
Date: April 17, 2013

Bill Summary: This proposal would require a political subdivision which prohibits tobacco use in a private business to forfeit the property and sales tax revenues from that business to the local school district.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(\$84,071)	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	(\$84,071)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government *	\$0 or (Less than \$100,000)	\$0 or (Less than \$100,000)	\$0 or (Less than \$100,000)

* Net effect of transfers from cities and counties to schools.

FISCAL ANALYSIS

ASSUMPTION

Section 191.778, RSMo. - Tobacco use and tax revenue:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would not result in any additional costs or savings to their organization.

BAP officials stated that any diversion of property tax revenues could negatively impact the Blind Pension Fund, but did not provide an estimate of the local government impact for this proposal.

Officials from the **Department of Social Services (DOS)** assume this proposal would not have any direct impact on their organization but would require political subdivisions which prohibit tobacco use in a private business to forfeit the property and sales tax revenues from that business to the local school district. DOS officials assume there would be an unknown fiscal impact to the Blind Pension Fund.

Oversight assumes this proposal would only require the redirection of local property taxes and would have no impact on the Blind Pension Fund.

Officials from **St. Louis County** assume this proposal would result in approximately \$2,145,000 per year in lost revenues from property and sales taxes generated by these businesses.

Officials from the **Department of Revenue (DOR)** noted this proposal would require a political subdivision which prohibits the use of tobacco in a private business to forfeit all property and sales taxes from that business to the local school district.

Administrative impact

If the Department of Revenue is to be required to handle the distribution of this tax revenue, there would be major issues to address in communications, systems upgrades and programming changes, distribution changes, processing, etc.

ASSUMPTION (continued)

DOR officials assume programming would be needed to identify the affected businesses and create registration records for those businesses. Something similar to a district would need to be set up to report the sales of the affected businesses. Additional programming would be needed for the distribution program in order to match the affected businesses to a school district and to distribute just the city sales tax to the school district.

Each political subdivision that has enacted or enacts an ordinance prohibiting the use of tobacco in a private business would be required to inform DOR of the ordinance. In addition, they would have to assist in the identification of all the affected businesses and provide that information to DOR.

The DOR response did not include any indication of an administrative cost to DOR, and Oversight assumes DOR could implement this proposal using existing procedures, and that notifications would be included in current communications with businesses. If unanticipated costs are incurred or if multiple proposals are implemented with increase DOR costs, resources could be requested through the budget process.

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$84,071 based on 3,108 hours to make changes to DOR systems.

Officials from the **Office of the Secretary of State**, the **Joint Committee on Administrative Rules**, and the **Department of Public Safety - Division of Alcohol and Tobacco Control** each assume the proposal would not fiscally impact their respective agencies.

Oversight notes this proposal would require a local government to forfeit property and sales tax revenues from a private business if that local government had prohibited tobacco use in that business. The forfeited taxes would be paid to the local school district, instead of the local government which levied the taxes. Thus, the forfeiture of tax revenue to another local government would result from the action of the local government and there would be no net effect to local governments. Oversight will indicate a fiscal impact to local government for the forfeiture of tax revenues.

ASSUMPTION (continued)

Oversight assumes local governments which collect property tax revenues would have an unknown cost to redistribute property taxes on private businesses which are or would become subject to tobacco use prohibitions by local ordinance or other local action. For fiscal note purposes, Oversight will indicate cost of less than \$100,000 for local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE FUND			
<u>Cost - DOR</u>			
IT cost			
Sales tax forfeiture			
Section 191.778	<u>(\$84,071)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$84,071)</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
LOCAL GOVERNMENT			
<u>Additional revenue - school districts</u>			
Property and sales taxes diverted			
Section 191.778	Unknown	Unknown	Unknown
<u>Revenue reduction - cities and counties</u>			
Property and sales taxes diverted			
Section 191.778	(Unknown)	(Unknown)	(Unknown)
<u>Cost - local government</u>			
Processing of tax forfeiture			
Section 191.778	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENT	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal would require a political subdivision which prohibits tobacco use in a private business to forfeit the property and sales tax revenues from that business to the local school district.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Joint Committee on Administrative Rules
Department of Public Safety
 Division of Alcohol and Tobacco Control
Department of Revenue
Department of Social Services
St. Louis County



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